

Department of Energy
Washington, DC 20545

NOV 17 1986

Mr. Wayne Kerr
Director
Office of State Programs
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Mr. Kerr:

During our meeting on November 3, 1986, you advised that the Nuclear Regulatory Commission (NRC) is currently evaluating the matter of licensing and regulatory control by the State of Illinois over certain nuclear facilities located within that state. You specifically requested the Department of Energy's (DOE) views regarding the importance of the Allied Chemical Company uranium conversion facility located in Metropolis, Illinois, with respect to its support of national security interests.

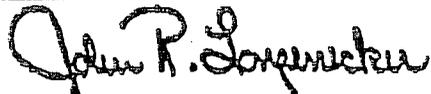
DOE currently operates gaseous diffusion plants to provide enriched uranium for both commercial and Government uses. These uranium enrichment facilities must be supplied with feed material that has been converted to uranium hexafluoride (UF₆); the Allied Chemical facility in Illinois is one of two such facilities in the United States. As you know, the other conversion facility, operated by Kerr-McGee in Oklahoma has recently had a series of problems. Although the problems at Kerr-McGee have been corrected and NRC has given permission to renew operations, there remain some questions as to the commercial intent by Kerr-McGee to continue to operate that facility, posing the possibility that Allied Chemical might be the sole U.S. supplier for conversion services.

The above discussion serves to indicate that the combination of the commercially operated uranium conversion facilities and the DOE operated enrichment facilities represent a complex that is an important national asset essential to maintaining the common defenses and security of the United States. This includes both our military needs for enriched uranium and our energy security provided by those commercial utilities who depend on nuclear fuel to generate electricity.

In view of the above, it would appear prudent for NRC to retain its existing regulatory authority over uranium conversion facilities consistent with its charter to regulate facilities whose operation is in the national

interest. I hope this information is useful to you in your current considerations of working out appropriate transfers of responsibility to the State of Illinois as it becomes an agreement state.

Sincerely,



John R. Longenecker
Deputy Assistant Secretary
for Uranium Enrichment
Office of Nuclear Energy

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